

COURTLAND TOWNSHIP
Kent County, Michigan

Comprehensive Annual Financial Report

For the year ended March 31, 2008

COURTLAND TOWNSHIP
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For the year ended March 31, 2008

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FINANCIAL SECTION

Hungerford, Aldrin,
Nichols & Carter, P.C.

CPAs AND CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

August 15, 2008

The Township Board
Courtland Township
Kent County, Michigan

We have audited the accompanying financial statements of the governmental and business-type activities, the major funds and the aggregate remaining fund information of Courtland Township (the "Township") as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the elected officials and management of the Township. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental and business-type activities, the major funds and the aggregate remaining fund information of Courtland Township as of March 31, 2008, and the respective changes in financial position and cash flows of its proprietary fund types and budgetary comparisons for the General Fund and Fire Special Revenue Fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of Courtland Township. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Hungerford, Aldrin, Nichols & Carter, P.C.

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

COURTLAND TOWNSHIP
Management's Discussion and Analysis
March 31, 2008

As management of the Courtland Township ("the Township"), we offer readers of the financial statements this narrative overview and analysis of the financial activities of the Township for the fiscal year ended March 31, 2008. We encourage readers to consider the information presented here in conjunction with the Township's financial statements, which immediately follow this section.

Financial Highlights

- The Township's net assets decreased by \$206,464 (or 3.6 percent).
- Total expenses of the Township's programs were \$1,546,857.
- Total revenues, including all program and general revenues, were \$1,340,393.
- At the close of the current year, the Township's governmental funds reported combined ending fund balances of \$1,911,572, a decrease of \$225,147 from the prior year.
- At the end of the current year, the unreserved/undesignated fund balance for the General Fund was \$1,529,645, or 133 percent of total General Fund expenditures.
- The Township's Sewer Enterprise Fund had \$1,929,600 in net assets at year-end.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The Statement of Net Assets presents information on all of the Township's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The Statement of Activities presents information showing how the Township's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods (e.g. uncollected property taxes and earned but uncollected sewer usage fees and special assessments).

Both of the government-wide financial statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Township include general government, public safety and public works. The business-type activity of the Township is the Sewer Enterprise Fund.

COURTLAND TOWNSHIP
Management's Discussion and Analysis
March 31, 2008

The government-wide financial statements can be found on pages 12-13 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

All of the funds of the Township can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Township maintains three individual governmental funds. Information is presented separately in the governmental funds balance sheet and statement of revenues, expenditures and changes in fund balances for the General Fund and Fire Fund, each of which are considered to be major funds. Data from the Inland Lakes Fund is also presented, as it is the Township's only nonmajor governmental fund. The basic governmental fund financial statements can be found on pages 14-17 of this report.

The Township adopts an annual appropriated budget for its General Fund and Special Revenue Funds. Budgetary comparison statements have been provided to demonstrate compliance with these budgets.

Proprietary funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Township maintains the Sewer Enterprise Fund to account for its sanitary sewer usage operation and maintenance. The basic proprietary fund financial statements can be found on pages 20-22 of this report.

Fiduciary funds provide information about the financial relationships in which the Township acts solely as a trustee or agent for the benefit of others. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the Township's own programs. The accounting used for fiduciary funds is like that used for proprietary funds.

Notes to basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to basic financial statements can be found on pages 25-34 of this report.

COURTLAND TOWNSHIP
Management's Discussion and Analysis
March 31, 2008

Government –Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Courtland Township, assets exceeded liabilities by \$5,564,680 at the close of the fiscal year.

A substantial portion of the Township's net assets, \$3,602,554 (64 percent), reflects its investment in capital assets (e.g. land, buildings, sewer system, and equipment). There is no related debt used to acquire those assets that is still outstanding. The Township uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

The Statement of Net Assets provides financial information on the Township as a whole as of March 31, 2008.

Courtland Township's Net Assets

	Governmental activities		Business-type activities		Total	
	2008	2007	2008	2007	2008	2007
Assets						
Current assets	\$1,946,599	\$2,173,891	\$ 94,045	\$ 168,311	\$2,040,644	\$2,342,222
Capital assets	1,723,508	1,578,918	1,879,046	1,920,611	3,602,554	3,499,529
Total Assets	3,670,107	3,752,809	1,973,091	2,088,942	5,643,198	5,841,751
Liabilities						
Current liabilities	35,027	37,172	43,491	33,435	78,518	70,607
Net Assets						
Invested in capital assets	1,723,508	1,578,918	1,879,046	1,920,611	3,602,554	3,499,529
Unrestricted	1,911,572	2,136,719	50,554	134,896	1,962,126	2,271,615
Total Net Assets	<u>\$3,635,080</u>	<u>\$3,715,637</u>	<u>\$1,929,600</u>	<u>\$2,055,507</u>	<u>\$5,564,680</u>	<u>\$5,771,144</u>

At the end of the current fiscal year, the Township is able to report positive balances in all three categories of net assets, both for the government as a whole, and for its separate governmental and business-type activities.

COURTLAND TOWNSHIP
Management's Discussion and Analysis
March 31, 2008

The Statement of Activities presents changes in net assets from operating results for the year ended March 31, 2008:

	<u>Governmental activities</u>		<u>Business-type activities</u>		<u>Total</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Revenues						
Program revenue:						
Charges for services	\$ 156,264	\$ 162,881	\$ 191,086	\$ 170,487	\$ 347,350	\$ 333,368
Capital grants and contributions	—	—	21,524	11,500	21,524	11,500
General revenue:						
Property taxes	444,975	418,300	—	—	444,975	418,300
State sources	397,739	395,723	—	—	397,739	395,723
Investment earnings	114,994	125,426	6,690	8,771	121,684	134,197
Other	7,121	13,381	—	—	7,121	13,381
Total revenues	<u>1,121,093</u>	<u>1,115,711</u>	<u>219,300</u>	<u>190,758</u>	<u>1,340,393</u>	<u>1,306,469</u>
Expenses						
General government	327,145	339,679	—	—	327,145	339,679
Public safety	224,282	217,137	—	—	224,282	217,137
Public works	591,496	315,400	—	—	591,496	315,400
Community and economic development	26,041	40,580	—	—	26,041	40,580
Other township	32,686	30,850	—	—	32,686	30,850
Sewer operations	—	—	345,207	225,108	345,207	225,108
Total expenses	<u>1,201,650</u>	<u>943,646</u>	<u>345,207</u>	<u>225,108</u>	<u>1,546,857</u>	<u>1,168,754</u>
Increase (decrease) in net assets	<u>(80,557)</u>	<u>172,065</u>	<u>(125,907)</u>	<u>(34,350)</u>	<u>(206,464)</u>	<u>137,715</u>
Net assets - beginning of year	<u>3,715,637</u>	<u>3,543,572</u>	<u>2,055,507</u>	<u>2,089,857</u>	<u>5,771,144</u>	<u>5,633,429</u>
Net assets - end of year	<u>\$3,635,080</u>	<u>\$3,715,637</u>	<u>\$1,929,600</u>	<u>\$2,055,507</u>	<u>\$5,564,680</u>	<u>\$5,771,144</u>

Governmental activities decreased the Township's net assets by \$80,557. Key elements of this decrease are as follows:

- Property taxes increased by \$26,675 (6 percent). This increase is a product of new construction in the Township and increased valuations on existing properties.
- Investment earnings decreased by \$10,432 (8 percent) due to less favorable interest rates.
- Total expenses increased by \$258,004 due mainly to increases in Township road improvement expenditures.

COURTLAND TOWNSHIP
Management's Discussion and Analysis
March 31, 2008

Business activities (sewer operations) decreased the Township's net assets by \$125,907 due mainly to increased system operation and maintenance and repair expenses.

Financial Analysis of the Township's Funds

As noted earlier, the Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the Township's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$1,911,572, a decrease of \$225,147 in comparison with the prior year. 100 percent of this total amount constitutes unreserved fund balance, which is available for spending at the Township's discretion.

Courtland Township's funds are described as follows:

Major Funds

The *General Fund* is our primary operating fund. The General Fund had total revenues of \$836,688 and total expenditures of \$1,146,617. It ended the year with a fund balance of \$1,529,645, down from \$1,839,574 at March 31, 2007.

The *Fire Fund* levies property taxes for fire protection services. The Fund had total revenues of \$244,274 and total expenditures of \$157,695. It ended the year with a fund balance of \$330,400, up from \$243,821 at March 31, 2007.

Nonmajor Funds

The *Inland Lakes Fund* levies property taxes to be used for weed control at Township lakes. Total revenues were \$40,131 and expenditures totaled \$41,928. It ended the year with a fund balance of \$51,527, down from \$53,324 at March 31, 2007.

Proprietary fund. The Township's proprietary fund financial statements provide the same type of information found in the government-wide financial statements, but in more detail. The Sewer Enterprise Fund had total revenues of \$219,300 and total expenses of \$345,207. It ended the year with net assets of \$1,929,600, down from \$2,055,507 at March 31, 2007.

General Fund Budgetary Highlights

Minimal changes were made within the Township's original adopted expenditure budget during the fiscal year. State revenue sharing actual revenues were lower than budgeted expectations due to lower than anticipated sales tax collections at the State level. Land purchase and site development costs for the new Township park property exceeded final budgeted expectations.

COURTLAND TOWNSHIP
Management's Discussion and Analysis
March 31, 2008

Capital Asset and Debt Administration

Capital Assets

At March 31, 2008, the Township had a \$5,113,630 investment in a broad range of capital assets, including land, land improvements, sewer system, buildings and improvements, and furniture and equipment. (More detailed information about capital assets can be found in the Notes To Basic Financial Statements.)

Capital asset purchases totaled \$202,832 for the fiscal year with accumulated depreciation increasing \$99,807. The net book value of capital assets at March 31, 2008 is detailed as follows:

	Governmental Activities	Business-type Activities	Total
Land	\$ 215,932	\$ —	\$ 215,932
Land improvements	25,723	—	25,723
Buildings and improvements	1,147,656	—	1,147,656
Sewer system	—	1,879,046	1,879,046
Vehicles	114,819	—	114,819
Furniture and equipment	219,378	—	219,378
Net Capital Assets	\$ 1,723,508	\$ 1,879,046	\$ 3,602,554

Long-Term Debt

The Township had no long-term debt outstanding at March 31, 2008 or 2007.

Factors Bearing on the Township's Future

At the time these financial statements were prepared and audited, the Township was aware of the following existing circumstances that could significantly affect its financial health in the future:

- The Township's initial General Fund budget for 2008-09 anticipates an excess of expenditures over revenues of \$17,615 to be drawn from the previous year's fund balance. This estimate reflects conservative budgeting for property tax revenues and for continuing reductions in state shared revenues. The Township strives to maintain a high quality of taxpayer service, including paving roads, while trying to control/reduce costs within the Township. The Township Board's policy has been to save money for future projects, such as the township park plan, in order to incur minimal debt. Over the past fifteen years we have constructed two fire stations, a township hall and purchased park property following this policy and, thus, have no outstanding debt at this time.

Contacting the Township's Financial Management

This financial report is designed to provide the Township's citizens, taxpayers, customers, and investors and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Marilyn Crosby, Township Clerk, Courtland Township, 7450 - 14 Mile Road, Rockford, MI, 49341.

BASIC FINANCIAL STATEMENTS

COURTLAND TOWNSHIP
Statement of Net Assets
March 31, 2008

	Governmental Activities	Business-Type Activities	Total
Assets			
Current Assets			
Cash equivalents, deposits and investments (Note B)	\$ 1,810,403	\$ 87,120	\$ 1,897,523
Receivables:			
Taxes (Note C)	27,142	-	27,142
Accounts (Note F)	46,556	5,467	52,023
Due from tax roll (Note F)	-	1,458	1,458
Due from other governmental units	62,498	-	62,498
Total Current Assets	<u>1,946,599</u>	<u>94,045</u>	<u>2,040,644</u>
Noncurrent Assets			
Capital assets (Note E)	2,112,756	3,000,874	5,113,630
Less accumulated depreciation	(389,248)	(1,121,828)	(1,511,076)
Total Noncurrent Assets	<u>1,723,508</u>	<u>1,879,046</u>	<u>3,602,554</u>
Total Assets	<u>3,670,107</u>	<u>1,973,091</u>	<u>5,643,198</u>
Liabilities			
Current Liabilities			
Accounts payable	6,798	-	6,798
Due to other governmental units	-	43,491	43,491
Escrow deposits	28,229	-	28,229
Total Liabilities	<u>35,027</u>	<u>43,491</u>	<u>78,518</u>
Net Assets			
Invested in capital assets	1,723,508	1,879,046	3,602,554
Unrestricted	1,911,572	50,554	1,962,126
Total Net Assets	<u>\$ 3,635,080</u>	<u>\$ 1,929,600</u>	<u>\$ 5,564,680</u>

See accompanying notes to basic financial statements.

COURTLAND TOWNSHIP
Statement of Activities
For the year ended March 31, 2008

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Capital Grants	Governmental Activities	Business-Type Activities	Total
Governmental activities:						
General government	\$312,392	\$ 24,133	\$ -	\$ (288,259)	\$ -	\$(288,259)
Public safety	224,282	93,528	-	(130,754)	-	(130,754)
Public works	591,496	38,603	-	(552,893)	-	(552,893)
Community and economic development	26,041		-	(26,041)	-	(26,041)
Other township	32,686	-	-	(32,686)	-	(32,686)
Total Governmental Activities	<u>\$1,186,897</u>	<u>\$ 156,264</u>	<u>\$ -</u>	<u>(1,030,633)</u>	<u>-</u>	<u>(1,030,633)</u>
Business-type activities:						
Sewer enterprise fund	<u>\$345,207</u>	<u>\$191,086</u>	<u>\$21,524</u>	<u>-</u>	<u>(132,597)</u>	<u>(132,597)</u>
General revenues:						
Property taxes levied for:						
General operations				214,821	-	214,821
Fire				230,154	-	230,154
State revenue sharing				397,739	-	397,739
Interest earnings				114,994	6,690	121,684
Other				7,121	-	7,121
Total General Revenues				<u>964,829</u>	<u>6,690</u>	<u>971,519</u>
Change in Net Assets				<u>(65,804)</u>	<u>(125,907)</u>	<u>(191,711)</u>
Net Assets - Beginning of Year				<u>3,719,377</u>	<u>2,055,507</u>	<u>5,774,884</u>
Net Assets - End of Year				<u>\$ 3,653,573</u>	<u>\$ 1,929,600</u>	<u>\$5,583,173</u>

See accompanying notes to basic financial statements.

COURTLAND TOWNSHIP
Balance Sheet
Governmental Funds
March 31, 2008

	<u>General</u>	<u>Special Revenue Fire</u>	<u>Other Governmental Inland Lakes</u>	<u>Total</u>
Assets				
Cash equivalents, deposits and investments (Note B)	\$ 1,325,235	\$ 434,960	\$ 50,208	\$ 1,810,403
Taxes receivable (Note C)	12,383	13,440	1,319	27,142
Accounts receivable (Note F)	16,841	-	-	16,841
Due from other funds (Note D)	147,715	-	-	147,715
Due from other governmental units	62,498	-	-	62,498
Total Assets	<u><u>\$ 1,564,672</u></u>	<u><u>\$ 448,400</u></u>	<u><u>\$ 51,527</u></u>	<u><u>\$ 2,064,599</u></u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 6,798	\$ -	\$ -	\$ 6,798
Due to other funds (Note D)	-	118,000	-	118,000
Escrow deposits	28,229	-	-	28,229
Total Liabilities	<u>35,027</u>	<u>118,000</u>	<u>-</u>	<u>153,027</u>
Fund balances:				
Unreserved:				
Undesignated, reported in:				
General fund	1,529,645	-	-	1,529,645
Special revenue funds	-	330,400	51,527	381,927
Total Fund Balances	<u>1,529,645</u>	<u>330,400</u>	<u>51,527</u>	<u>1,911,572</u>
Total Liabilities and Fund Balances	<u><u>\$ 1,564,672</u></u>	<u><u>\$ 448,400</u></u>	<u><u>\$ 51,527</u></u>	<u><u>\$ 2,064,599</u></u>

See accompanying notes to basic financial statements.

COURTLAND TOWNSHIP
Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
March 31, 2008

Total governmental fund balances	\$ 1,911,572
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of assets is \$2,112,756 and accumulated depreciation is \$389,248.	<u>1,723,508</u>
Total net assets - governmental activities	<u><u>\$ 3,635,080</u></u>

See accompanying notes to basic financial statements.

COURTLAND TOWNSHIP
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended March 31, 2008

	General	Special Revenue Fire	Other Governmental Inland Lakes	Total
Revenues				
Taxes	\$ 214,821	\$ 230,154	\$ 38,603	\$ 483,578
Licenses and permits	93,528	-	-	93,528
State sources	397,739	-	-	397,739
Charges for services	24,133	-	-	24,133
Interest and rentals	99,873	13,593	1,528	114,994
Other revenue	6,594	527	-	7,121
Total Revenues	836,688	244,274	40,131	1,121,093
Expenditures				
Current:				
General government	310,704	-	-	310,704
Public safety	59,432	157,695	-	217,127
Public works	549,568	-	41,928	591,496
Community and economic development	26,041	-	-	26,041
Other township	32,686	-	-	32,686
Capital outlay	168,186	-	-	168,186
Total Expenditures	1,146,617	157,695	41,928	1,346,240
Net Change in Fund Balances	(309,929)	86,579	(1,797)	(225,147)
Fund Balances, April 1	1,839,574	243,821	53,324	2,136,719
Fund Balances, March 31	\$ 1,529,645	\$ 330,400	\$ 51,527	\$ 1,911,572

See accompanying notes to basic financial statements.

COURTLAND TOWNSHIP
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the year ended March 31, 2008

Net change in fund balances - total governmental funds \$ (225,147)

Amounts reported for governmental activities in the Statement of Activities
are different because:

Governmental funds report capital outlays as expenditures. However,
in the Statement of Activities, the cost of these assets is capitalized
and the cost is allocated over their estimated useful lives as deprecia-
tion expense. This is the amount by which capital outlays exceeded
depreciation in the current period:

	Capital outlays	202,832	
	Depreciation expense	(58,242)	144,590
Total changes in net assets - governmental activities		\$	(80,557)

See accompanying notes to basic financial statements.

COURTLAND TOWNSHIP
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the year ended March 31, 2008

	Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 203,269	\$ 203,269	\$ 214,821	\$ 11,552
Licenses and permits	102,325	102,325	93,528	(8,797)
State sources	440,000	440,000	397,739	(42,261)
Charges for services	23,650	23,650	24,133	483
Interest and rentals	99,000	99,000	99,873	873
Other revenue	5,800	5,800	6,594	794
Total Revenues	<u>874,044</u>	<u>874,044</u>	<u>836,688</u>	<u>(37,356)</u>
Expenditures				
Current:				
General government:				
Township board	16,700	16,700	16,231	469
Supervisor	26,650	26,650	25,296	1,354
Clerk	41,500	41,500	37,848	3,652
General administration	89,600	89,600	77,315	12,285
Treasurer	43,450	43,450	40,834	2,616
Assessor	49,050	49,050	47,205	1,845
Elections	8,900	8,900	5,812	3,088
Buildings and grounds	19,800	21,064	20,237	827
Legal and audit	33,000	33,000	19,955	13,045
Cemetery	22,150	22,150	19,971	2,179
Total general government	<u>350,800</u>	<u>352,064</u>	<u>310,704</u>	<u>41,360</u>
Public safety:				
Inspections	57,800	57,800	59,432	(1,632)
Public works:				
Drains	4,000	4,000	-	4,000
Highways, streets and bridges	584,000	584,000	545,196	38,804
Street lighting	5,000	5,000	4,372	628
Total public works	<u>593,000</u>	<u>593,000</u>	<u>549,568</u>	<u>43,432</u>
Community and economic development:				
Planning	32,850	32,850	26,041	6,809
Other township	34,500	34,500	32,686	1,814
Capital outlay	150,000	150,000	168,186	(18,186)
Contingency	45,000	43,736	-	43,736
Total Expenditures	<u>1,263,950</u>	<u>1,263,950</u>	<u>1,146,617</u>	<u>117,333</u>
Net Change in Fund Balances	<u>(389,906)</u>	<u>(389,906)</u>	<u>(309,929)</u>	<u>79,977</u>
Fund Balances, April 1	<u>1,839,574</u>	<u>1,839,574</u>	<u>1,839,574</u>	<u>-</u>
Fund Balances, March 31	<u>\$ 1,449,668</u>	<u>\$ 1,449,668</u>	<u>\$ 1,529,645</u>	<u>\$ 79,977</u>

See accompanying notes to basic financial statements.

COURTLAND TOWNSHIP
Fire Special Revenue Fund
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the year ended March 31, 2008

	Budget	Actual	Variance- Positive (Negative)
Revenues			
Taxes	\$ 211,456	\$ 230,154	\$ 18,698
Interest and rentals	8,000	13,593	5,593
Other revenue	400	527	127
Total Revenues	<u>219,856</u>	<u>244,274</u>	<u>24,418</u>
Expenditures			
Current:			
Public safety	<u>217,183</u>	<u>157,695</u>	<u>59,488</u>
Net Change in Fund Balances	<u>2,673</u>	<u>86,579</u>	<u>83,906</u>
Fund Balances, April 1	<u>243,821</u>	<u>243,821</u>	<u>-</u>
Fund Balances, March 31	<u><u>\$ 246,494</u></u>	<u><u>\$ 330,400</u></u>	<u><u>\$ 83,906</u></u>

See accompanying notes to basic financial statements.

COURTLAND TOWNSHIP
Statement of Net Assets
Proprietary Fund
March 31, 2008

	<u>Sewer Enterprise</u>
Assets	
Current Assets	
Cash equivalents, deposits and investments (Note B)	\$ 87,120
Receivables:	
Accounts (Note F)	5,467
Due from tax roll (Note F)	<u>1,458</u>
Total Current Assets	<u>94,045</u>
Noncurrent Assets	
Capital assets (Note E)	3,000,874
Less accumulated depreciation	<u>(1,121,828)</u>
Total Noncurrent Assets	<u>1,879,046</u>
Total Assets	<u>1,973,091</u>
Liabilities	
Current Liabilities	
Due to other governmental units	<u>43,491</u>
Net Assets	
Invested in capital assets	1,879,046
Unrestricted	<u>50,554</u>
Total Net Assets	<u><u>\$ 1,929,600</u></u>

See accompanying notes to basic financial statements.

COURTLAND TOWNSHIP
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Fund
For the year ended March 31, 2008

	Sewer Enterprise
Operating Revenues	
Charges for services	\$ 191,086
Operating Expenses	
Sewer:	
Salaries	2,041
Social Security taxes	168
Operating supplies	542
Audit fees	1,500
Engineering fees	392
Commodity charges	30,067
Operation and maintenance	204,620
Other expense	347
Depreciation	41,565
Total Operating Expenses	281,242
Operating Loss	(90,156)
Nonoperating Revenues (Expenses)	
Interest income	6,690
Connection fees	21,524
Contributions to North Kent Sewer Authority	(63,965)
Net Nonoperating Revenues (Expenses)	(35,751)
Net Loss	(125,907)
Net Assets, April 1	2,055,507
Net Assets, March 31	\$ 1,929,600

See accompanying notes to basic financial statements.

COURTLAND TOWNSHIP
Statement of Cash Flows
Proprietary Fund Type
For the year ended March 31, 2008

	Sewer Enterprise
Cash Flows From Operating Activities	
Received from customers	\$ 191,455
Payments to suppliers	(227,412)
Payments to employees	(2,209)
Net Cash Provided By (Used For) Operating Activities	<u>(38,166)</u>
Cash Flows From Capital and Related Financing Activities	
Connection charges	21,524
Contributions to North Kent Sewer Authority	(63,965)
Net Cash Provided By (Used For) Capital and Related Financing Activities	<u>(42,441)</u>
Cash Flows From Investing Activities	
Interest received	<u>6,690</u>
Net Increase (Decrease) In Cash and Cash Equivalents	(73,917)
Cash and Cash Equivalents, beginning of year	<u>161,037</u>
Cash and Cash Equivalents, end of year	<u><u>\$ 87,120</u></u>
Reconciliation of Operating Income (Loss) To Net Cash Provided By (Used For) Operating Activities	
Operating loss	<u>\$ (90,156)</u>
Adjustments to reconcile operating loss to net cash provided by (used for) operating activities:	
Depreciation	41,565
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(781)
(Increase) decrease in due from property tax roll	1,150
Increase (decrease) in due to other governmental units	<u>10,056</u>
Total adjustments	<u>51,990</u>
Net Cash Provided By (Used For) Operating Activities	<u><u>\$ (38,166)</u></u>

See accompanying notes to basic financial statements.

COURTLAND TOWNSHIP
Fiduciary Fund
Statement of Fiduciary Net Assets
March 31, 2008

	Agency Fund
	<hr/>
Assets	
Cash equivalents, deposits and investments (Note B)	<u>\$ 31,949</u>
Liabilities	
Due to other funds (Note D)	\$ 29,715
Due to other governmental units	<u>2,234</u>
Total Liabilities	<u>\$ 31,949</u>

See accompanying notes to basic financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

COURTLAND TOWNSHIP
Notes to Basic Financial Statements
March 31, 2008

Note A – Summary of Significant Accounting Policies

Courtland Township was organized as a general law township under applicable laws of the State of Michigan and is governed by a Board of Trustees which consists of a Supervisor, Clerk, Treasurer and four Trustees, each of whom is elected for a four year term of office. The Township provides, or contributes to the providing of, the following services to its residents as provided by statute: public safety (police, fire and inspections), highways and streets, parks and recreation, cultural, public improvements, planning and zoning, general administrative, sewage disposal and other services.

The financial statements of Courtland Township (the “Township”) have been prepared in conformity with accounting principles generally accepted in the United States of America as applicable to Townships. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The more significant of the Township’s accounting policies are described below.

1. The Reporting Entity

The accompanying financial statements present the Township of Courtland. The Township has no component units, i.e., entities for which the Township is considered to be financially accountable.

2. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements - The Government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) present financial information about the Township as a whole. The reported information includes all of the nonfiduciary activities of the Township. The Township does not allocate indirect costs and, for the most part, the effect of interfund activity has been removed. These statements are to distinguish between the *governmental* and *business-type activities* of the Township. *Governmental activities* normally are supported by taxes and intergovernmental revenues, and are reported separately from *business-type* activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets is presented on the classified basis and is reported on the full accrual, economic resource basis, which recognizes all long-term assets as well as all long-term debt and obligations. The Township’s net assets are reported in three parts: invested in capital assets, net of related debt; restricted net assets, and unrestricted net assets.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Property taxes, state revenue sharing, interest earnings and other items not included among program revenues are reported instead as *general revenues*.

Fund Financial Statements – The fund financial statements provide information about the Township’s funds. Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column.

COURTLAND TOWNSHIP
Notes to Basic Financial Statements
March 31, 2008

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The Township reports the following major governmental funds:

The *General Fund* is the Township's primary operating fund. It accounts for all financial resources of the general government except those that are required to be accounted for in another fund.

The *Fire Special Revenue Fund* accounts for property tax revenues levied to maintain the operations and capital improvements of the Township Fire Department.

The Township reports the following enterprise fund:

The *Sewer Enterprise Fund* accounts for the operation of the Township's sanitary sewer system.

Additionally, the Township reports the following funds:

The *Inland Lakes Special Revenue Fund* levies property taxes to be used for weed control at Township lakes.

The *Tax Account Agency Fund* accounts for the collection of current and delinquent property taxes and the payment to the governmental units or other persons entitled to receive these funds.

3. Measurement Focus, Basis of Accounting and Financial Statement Presentation

Government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Fund level statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances. The Balance Sheet reports current assets, current liabilities and fund balances. The Statement of Revenues, Expenditures and Changes in Fund Balances reports on the sources and uses of current financial resources. This differs from the economic resources measurement focus used to report at the government-wide level. Reconciliations between the two sets of statements are provided in separate statements.

Revenues are recognized when susceptible to accrual; i.e., both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days after the end of the current fiscal period. Taxes, intergovernmental revenues and interest associated with the current period are all considered susceptible to accrual and have been recognized as revenues of the current fiscal period.

COURTLAND TOWNSHIP
Notes to Basic Financial Statements
March 31, 2008

Expenditures are recorded when the liability is incurred, as under accrual accounting, if they are paid within 60 days after the end of the current fiscal period. The exception to this general rule is that principal and interest on long-term debt and claims and judgments are recorded only when the payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt are reported as other financing sources.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide and fiduciary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted as they are needed.

4. Budgets and Budgetary Accounting

Budgets presented in the financial statements were prepared on the same basis as the accounting basis used to reflect actual results. The General and Special Revenue Funds are subject to legal budgetary accounting controls and are budgeted annually. The Township utilizes the following procedures in establishing the budgetary data reflected in the financial statements:

- The budgets are generated with input from the Supervisor, Clerk, Treasurer and the Township Trustees.
- The completed budgets are then presented to Township electors at a public budget hearing in March, at which time taxpayer comments and recommendations are heard. These operating budgets include proposed expenditures and the means of financing them for the General and Special Revenue Funds.
- Prior to April 1, the budgets are legally enacted on a departmental (activity) basis through passage of an appropriations resolution.
- The budget may only be amended by action of the Township Board.
- Formal budgetary integration is employed as a management control device during the year for all budgetary funds.
- Budget appropriations lapse at fiscal year-end.
- The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the fund level for each individual fund.

5. Investments

Investments are recorded at fair value, based on quoted market prices, or estimated fair value. Investment income is composed of interest and net changes in the fair value of applicable investments.

6. Capital Assets

Capital assets, which include land, land improvements, buildings and improvements, sewer system, vehicles and furniture and equipment, are reported in the government-wide financial statements. Assets having a useful life in excess of one year and whose costs exceed \$2,500 are capitalized. Capital assets are stated at historical cost or

COURTLAND TOWNSHIP
Notes to Basic Financial Statements
March 31, 2008

estimated historical cost where actual cost information is not available. Donated capital assets are stated at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of an asset or materially extend an asset's useful life are not capitalized. Improvements are capitalized and depreciated over the remaining useful life of the related assets.

Land improvements, buildings and improvements, sewer system, vehicles and furniture and equipment are depreciated using the straight-line method over the following estimated useful lives:

Land improvements	15-30 years
Buildings and improvements	25-40 years
Sewer system	50 years
Vehicles	5-20 years
Furniture and equipment	5-15 years

7. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the Statement of Net Assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported at the total amount of bonds issued.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

8. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition or construction of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through legislation or through external restrictions imposed by creditors, grantors, laws or regulations from other governments.

9. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for expenditures or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

10. Interfund Activity

Flows of cash from one fund to another without a requirement for repayment are reported as transfers in or out. Transfers between governmental funds are eliminated in the Statement of Activities. Transfers in the fund financial statements are reported as other financing sources/uses.

COURTLAND TOWNSHIP
Notes to Basic Financial Statements
March 31, 2008

11. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Note B – Cash Equivalents, Deposits and Investments

The State of Michigan allows a political subdivision to authorize its Treasurer or other chief fiscal officer to invest surplus funds belonging to and under the control of the entity as follows:

- Bonds, bills, or notes of the United States; obligations, the principal and interest of which are fully guaranteed by the United States; or obligations of the State.
- Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution, but only if the financial institution is a state or nationally chartered bank or a state or federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and that maintains a principal office or branch office located in this State under the laws of this State or the United States.
- Commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of the purchase.
- Securities issued or guaranteed by agencies or instrumentalities of the United States government.
- United States government or Federal agency obligation repurchase agreements.
- Banker's acceptances issued by a bank that is a member of the Federal Deposit Insurance Corporation.
- Mutual funds composed entirely of investment vehicles which are legal for direct investment by a Township in Michigan.
- Investment pools, as authorized by the surplus funds investment pool act, Act No. 367 of the Public Acts of 1982, being sections 129.11 to 129.118 of the Michigan Compiled Laws, composed entirely of instruments that are legal for direct investment by a Township in Michigan.

Balances at March 31, 2008 related to cash equivalents, deposits and investments are detailed in the Basic Financial Statements as follows:

Cash equivalents, deposits and investments per the Statement of Net Assets:

Governmental activities	\$ 1,810,403
Business-type activities	<u>87,120</u>
	\$ 1,897,523

COURTLAND TOWNSHIP
Notes to Basic Financial Statements
March 31, 2008

Cash equivalents, deposits and investments of Fiduciary Funds:	
Agency Fund	31,949
	<u>\$ 1,929,472</u>

Cash Equivalents and Deposits

Cash equivalents consist of bank public funds checking, savings and liquid asset accounts. Deposits consist of certificates of deposit.

Depositories actively used by the Township Treasurer during the year are detailed as follows:

1. Choice One Bank
2. JP Morgan Chase Bank, N.A.
3. Byron Bank
4. Greenville Community Bank

March 31, 2008 balances are detailed as follows:

	Primary Government
	<hr/>
Cash equivalents	\$ 1,402,319
Deposits	527,153
	<hr/>
	<u>\$ 1,929,472</u>

Custodial credit risk

Custodial credit risk is the risk that in the event of bank failure, the Township's deposits may not be returned to the Township. Protection of Township cash equivalents and deposits is provided by the Federal Deposit Insurance Corporation. At year end, the carrying amount of the Township's cash equivalents and deposits was \$1,929,472 and the bank balance was \$1,982,681. Of the bank balance \$372,985 was covered by federal depository insurance and \$1,609,696 was uninsured and uncollateralized.

Custodial Credit Risk and Interest Rate Risk

It is the policy of Courtland Township to invest public funds in a manner that will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the entity and conforming to state and local statutes governing the investment of public funds.

The Township's investment policy states that investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived. The standard of discretion to be used by investment officials shall be the

COURTLAND TOWNSHIP
Notes to Basic Financial Statements
March 31, 2008

“prudent person” standard and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with written procedures and the investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security’s credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

Funds of Courtland Township will be invested in accordance with state and local statutes, and in accordance with the following objectives in order of priority:

Safety: Safety of principal is the foremost objective of the investment program. Investments of Courtland Township shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, diversification is required in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

Liquidity: Courtland Township’s investment portfolio will remain sufficiently liquid to enable the Township to meet all operating requirements which might be reasonably anticipated.

Return on Investments: The investment portfolio shall be designed with the objective of attaining a rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and cash flow characteristics of the portfolio.

Safekeeping and Custody: All security transactions, including collateral for repurchase agreements and financial institution deposits, entered into by Courtland Township shall be conducted on a cash basis (delivery-versus-payment (DVP) basis). Securities will be held by a third party custodian designated by the Township Treasurer and evidenced by safekeeping receipts and determined by the Treasurer.

Foreign Currency Risk

The Township is not authorized to invest in investments which have this type of risk.

Note C – General Property Taxes

Property taxes for the Township and Kent County become due and payable on December 1 of each year. Property taxes for school districts become due and payable on July 1 and December 1, under a split-levy system, pursuant to the Michigan School Code of 1976. All taxes are returned delinquent March 1 of the following year.

Township property tax revenues are recognized in the General and Special Revenue Funds in the fiscal year levied, to the extent they are measurable and available. The 2007 property tax roll, levied December 1, 2007, represents revenue for the fiscal year ended March 31, 2008.

The Township bills and collects its own taxes in addition to taxes for the State of Michigan, Kent County, Kent District Library, Grand Rapids Community College, Kent Intermediate School District, Rockford Public Schools and Cedar Springs Public Schools. Collection and remittance of taxes are accounted for in the Tax Account Agency Fund.

The Township is permitted to levy up to 1.1 mills of general property taxes on the assessed valuation in the Township. Due to the effect of the Headlee Amendment, the actual tax levy was reduced to 0.8131 mills for 2007-08 general operations. The Township also levied 0.8825 mills for fire department operations.

COURTLAND TOWNSHIP
Notes to Basic Financial Statements
March 31, 2008

The tax collection record of Township taxes for the past four years is shown in the following summary:

	2007	2006	2005	2004
Township taxes levied	\$442,501	\$415,259	\$386,122	\$359,353
Taxes collected:				
Current to March 1	416,078	386,457	360,031	335,332
Total to March 31, 2008	416,078	414,921	385,780	358,994
Percentages of collections:				
Current to March 1	94.03%	93.06%	93.24%	93.32%
Total to March 31, 2008	94.03%	99.91%	99.91%	99.90%

Taxable property in the Township is assessed initially by the assessing official of the Township. These valuations are then equalized by the County and finally by the State of Michigan. Michigan statutes provide that all ad valorem taxes be levied upon State Equalized Valuation. In accordance with Act 409, Public Acts of 1965 and Article IX, Section 3 of the Michigan Constitution, State Equalized Valuation represents 50% of true cash value. The valuations of taxable property in the Township for prior years are compared with 2008 valuations in the following summary:

Year	Real	Personal	Total
2008	\$258,723,519	\$5,522,700	\$264,246,219
2007	255,584,031	5,388,399	260,972,430
2006	238,623,049	9,118,991	247,742,040
2005	219,814,675	5,125,100	224,939,775
2004	201,080,450	4,917,000	205,997,450
2003	184,175,818	5,359,400	189,535,218
2002	168,389,189	5,054,500	173,443,689
2001	154,594,853	4,718,100	159,312,953
2000	139,723,816	4,376,600	144,100,416
1999	130,811,202	4,205,100	135,016,302

Note D – Interfund Receivables/Payables and Transfers

Amounts due from (to) other funds for interest earnings and an advance for a new fire vehicle at March 31, 2008 are detailed as follows:

	Due From	Due To
General Fund:		
Fire Special Revenue Fund	\$ 118,000	\$ —
Tax Account Agency Fund	29,715	—
	<u>147,715</u>	<u>—</u>
Special Revenue Funds:		
Fire Special Revenue Fund:		
General Fund	—	118,000
Agency Fund:		
Tax Account Agency Fund:		
General Fund	—	29,715
	<u>—</u>	<u>29,715</u>
	<u>\$ 147,715</u>	<u>\$ 147,715</u>

COURTLAND TOWNSHIP
Notes to Basic Financial Statements
March 31, 2008

Note E – Capital Assets

Capital asset activity for the year ended March 31, 2008 was as follows:

	<u>Balances</u> <u>April 1, 2007</u>	<u>Additions</u>	<u>Sales/ Retirements</u>	<u>Balances</u> <u>March 31, 2008</u>
Governmental Activities				
Capital assets not depreciated:				
Land	\$ 47,745	\$ 168,187	\$ —	\$ 215,932
Capital assets being depreciated:				
Land improvements	40,262	—	—	40,262
Buildings and improvements	1,337,752	17,045	—	1,354,797
Furniture and equipment	142,694	17,600	—	160,294
Vehicles	341,471	—	—	341,471
Totals at historical cost	<u>1,909,924</u>	<u>\$ 202,832</u>	<u>\$ —</u>	<u>2,112,756</u>
Less accumulated depreciation for:				
Land improvements	\$ 12,526	\$ 2,013	\$ —	\$ 14,539
Buildings and improvements	176,616	30,525	—	207,141
Furniture and equipment	36,132	9,343	—	45,475
Vehicles	105,732	16,361	—	122,093
Total accumulated depreciation	<u>331,006</u>	<u>\$ 58,242</u>	<u>\$ —</u>	<u>389,248</u>
Net Capital Assets – Governmental Activities	<u>\$ 1,578,918</u>			<u>\$ 1,723,508</u>

Depreciation expense was charged to Township governmental functions as follows:

Governmental activities:	
General government	\$ 16,442
Public safety	<u>41,800</u>
Total Depreciation Expense	<u>\$ 58,242</u>

	<u>Balances</u> <u>April 1, 2007</u>	<u>Additions</u>	<u>Sales/ Retirements</u>	<u>Balances</u> <u>March 31, 2008</u>
Business-Type Activities				
Capital assets being depreciated:				
Sewer system	\$ 3,000,874	\$ —	\$ —	\$ 3,000,874
Less accumulated depreciation	<u>1,080,263</u>	<u>\$ 41,565</u>	<u>\$ —</u>	<u>1,121,828</u>
Net Capital Assets – Business-Type Activities	<u>\$ 1,920,611</u>			<u>\$ 1,879,046</u>

COURTLAND TOWNSHIP
Notes to Basic Financial Statements
March 31, 2008

Note F –Receivables

The accounts receivable of the Enterprise Fund consist of current and delinquent sewer usage charges.

Amounts due from the general property tax roll represent sewer bills that are delinquent six months as of September 1 each year and are certified to the general property tax roll as of that date together with interest at 6% per annum. These amounts are then included with the general property taxes which become due and payable December 1 each year and become a lien on the property as of that date.

Note G – Accounts Payable

Accounts payable represent expenditures and operating expenses incurred during the year ended March 31, 2008, but not paid until subsequent to the close of the Township's fiscal year.

Note H – Stewardship, Compliance and Accountability

The following Township funds had actual expenditures exceed final budgeted expenditures for the year ended March 31, 2008, as follows:

	Budget	Actual	Negative Variance
General Fund:			
Public safety:			
Inspections	\$ 57,800	\$ 59,432	\$ 1,632
Capital outlay	150,000	168,186	18,186
Inland Lakes Special Revenue Fund	35,042	41,928	6,886

SUPPLEMENTAL INFORMATION

GENERAL FUND

To account for resources traditionally associated with governments which are not required to be accounted for in another fund.

COURTLAND TOWNSHIP
General Fund
Comparative Balance Sheet
March 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Assets		
Cash equivalents, deposits and investments	\$ 1,325,235	\$ 1,621,769
Receivables:		
Taxes	12,383	13,649
Accounts	16,841	-
Due from other funds	147,715	176,358
Due from other governmental units	<u>62,498</u>	<u>64,970</u>
Total Assets	<u><u>\$ 1,564,672</u></u>	<u><u>\$ 1,876,746</u></u>
 Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ 6,798	\$ -
Escrow deposits	<u>28,229</u>	<u>37,172</u>
Total Liabilities	<u>35,027</u>	<u>37,172</u>
Fund Balances		
Unreserved:		
Undesignated	<u>1,529,645</u>	<u>1,839,574</u>
Total Liabilities and Fund Balances	<u><u>\$ 1,564,672</u></u>	<u><u>\$ 1,876,746</u></u>

COURTLAND TOWNSHIP
General Fund
Comparative Schedule of Revenues
For the years ended March 31, 2008 and 2007

	2008	2007
Taxes:		
Current property taxes	\$ 212,152	\$ 200,499
Street lighting assessment	2,611	1,755
Other taxes	58	73
	<u>214,821</u>	<u>202,327</u>
Licenses and permits:		
Cable television fees	27,483	32,989
Right-of-way fees	6,881	6,869
Building permits	32,613	34,156
Electrical permits	10,123	10,148
Mechanical permits	7,642	10,183
Plumbing permits	8,640	8,328
Dog licenses	146	142
	<u>93,528</u>	<u>102,815</u>
State sources:		
Sales taxes	397,739	395,723
Charges for services:		
Planning commission fees	1,250	2,100
Zoning and appeals fees	400	1,800
Summer tax collection fees	10,738	10,803
Grave openings	7,945	5,255
Sale of cemetery lots	3,800	3,350
	<u>24,133</u>	<u>23,308</u>
Interest and rentals:		
Interest on deposits and investments	97,709	106,962
Rentals	2,164	1,600
	<u>99,873</u>	<u>108,562</u>
Other revenue:		
Miscellaneous	6,594	12,731
	<u>6,594</u>	<u>12,731</u>
Total Revenues	<u><u>\$ 836,688</u></u>	<u><u>\$ 845,466</u></u>

COURTLAND TOWNSHIP
General Fund
Comparative Schedule of Expenditures
For the years ended March 31, 2008 and 2007

	2008	2007
Current:		
General government:		
Township board:		
Salaries	\$ 16,000	\$ 15,200
Travel and expenses	231	765
	<u>16,231</u>	<u>15,965</u>
Supervisor:		
Supervisor salary	24,000	22,000
Office supplies	-	1,099
Travel and expenses	336	458
Miscellaneous	960	1,300
	<u>25,296</u>	<u>24,857</u>
Clerk:		
Salaries:		
Clerk	28,500	26,500
Deputy	8,308	9,991
Travel and expenses	427	531
Legal notices and publications	613	758
	<u>37,848</u>	<u>37,780</u>
General administration:		
Clerical salaries	16,664	22,689
Zoning enforcement officer	4,684	260
Office supplies	3,482	1,969
Postage	3,060	3,998
Telephone	4,560	4,237
Travel and expenses	302	7
Community relations	12,874	13,267
Community cable	1,779	3,299
Newsletter	347	2,412
Equipment maintenance	18,613	18,996
Dues and memberships	9,055	10,862
New equipment	1,895	5,234
	<u>77,315</u>	<u>87,230</u>
Treasurer:		
Salaries:		
Treasurer	28,500	26,500
Deputy	6,920	6,033
Office supplies	167	44
Property tax administration system	4,798	4,474
Travel and expenses	449	505
	<u>40,834</u>	<u>37,556</u>
Assessor:		
Salaries:		
Assessor	35,000	34,000
Deputy	10,295	10,550
Office supplies	1,424	614
Travel and expenses	391	365
Dues and memberships	95	95
	<u>47,205</u>	<u>45,624</u>

(Continued)

COURTLAND TOWNSHIP
General Fund
Comparative Schedule of Expenditures
For the years ended March 31, 2008 and 2007

	2008	2007
Elections:		
Election workers salaries	\$ 5,003	\$ 7,427
Office supplies	809	1,456
	<u>5,812</u>	<u>8,883</u>
Buildings and grounds:		
Custodial and maintenance salaries	2,975	3,026
Supplies	233	682
Utilities	9,114	6,487
Repair and maintenance	7,816	8,045
Equipment maintenance	99	185
	<u>20,237</u>	<u>18,425</u>
Legal and audit:		
Legal fees	9,805	14,806
Audit fees	10,150	9,666
	<u>19,955</u>	<u>24,472</u>
Cemetery:		
Contracted services	8,275	6,385
Utilities	240	96
Grounds maintenance	11,456	12,224
	<u>19,971</u>	<u>18,705</u>
Total general government	<u>310,704</u>	<u>319,497</u>
Public safety:		
Inspections:		
Salaries:		
Building inspector	32,509	30,931
Mechanical inspector	9,741	10,640
Electrical inspector	8,605	8,328
Plumbing inspector	7,918	7,902
Supplies	46	138
Professional services	45	45
Miscellaneous	568	472
Total public safety	<u>59,432</u>	<u>58,456</u>
Public works:		
Drains:		
Kent County drain assessment	-	3,909
Highways, streets and bridges:		
Road construction	538,898	258,634
Dust layer	6,298	5,118
	<u>545,196</u>	<u>263,752</u>
Street lighting:		
Utilities	4,372	3,946
Total public works	<u>549,568</u>	<u>271,607</u>

(Continued)

COURTLAND TOWNSHIP
General Fund
Comparative Schedule of Expenditures
For the years ended March 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Economic and community development:		
Planning and zoning:		
Salaries:		
Zoning administrator	\$ 14,500	\$ 13,500
Clerical	1,071	1,682
Planning commission	2,950	7,440
Supplies	100	105
Professional services	6,871	17,522
Master plan development	549	331
Total economic and community development	<u>26,041</u>	<u>40,580</u>
Other township:		
Social Security taxes	16,196	15,933
Insurance and bonds	15,601	14,384
Miscellaneous	889	533
Total other township	<u>32,686</u>	<u>30,850</u>
Capital outlay:		
Land	<u>168,186</u>	<u>3,740</u>
Total Expenditures	<u><u>\$ 1,146,617</u></u>	<u><u>\$ 724,730</u></u>

NONMAJOR GOVERNMENTAL FUNDS

COURTLAND TOWNSHIP
Inland Lakes Improvement Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the year ended March 31, 2008

	Budget	Actual	Variance- Positive (Negative)
Revenues			
Taxes	\$ 36,873	\$ 38,603	\$ 1,730
Interest and rentals	900	1,528	628
Total Revenues	<u>37,773</u>	<u>40,131</u>	<u>2,358</u>
Expenditures			
Current:			
Public works	35,042	41,928	(6,886)
Net Change in Fund Balances	2,731	(1,797)	(4,528)
Fund Balances, April 1	<u>53,324</u>	<u>53,324</u>	<u>-</u>
Fund Balances, March 31	<u><u>\$ 56,055</u></u>	<u><u>\$ 51,527</u></u>	<u><u>\$ (4,528)</u></u>

SPECIAL REVENUE FUNDS

Fire — to accumulate property tax revenues and interest earnings to maintain the Township Fire Department.

Inland Lakes Improvement — to account for taxes levied for weed control purposes on Big Brower Lake, Little Brower Lake and Myers Lake.

COURTLAND TOWNSHIP
Fire Special Revenue Fund
Comparative Balance Sheet
March 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Assets		
Cash equivalents, deposits and investments	\$ 434,960	\$ 399,706
Taxes receivable	<u>13,440</u>	<u>14,815</u>
Total Assets	<u><u>\$ 448,400</u></u>	<u><u>\$ 414,521</u></u>
 Liabilities and Fund Balances		
Liabilities		
Due to other funds	<u>\$ 118,000</u>	<u>\$ 170,700</u>
Fund Balances		
Unreserved:		
Undesignated	<u>330,400</u>	<u>243,821</u>
Total Liabilities and Fund Balances	<u><u>\$ 448,400</u></u>	<u><u>\$ 414,521</u></u>

COURTLAND TOWNSHIP
Fire Special Revenue Fund
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances
For the years ended March 31, 2008 and 2007

	2008	2007
Revenues		
Taxes:		
Current property taxes	\$ 230,154	\$ 215,973
Interest and rentals:		
Interest on deposits and investments	13,593	14,748
Other revenue:		
Sale of assets	527	650
Total Revenues	244,274	231,371
Expenditures		
Current:		
Public safety:		
Fire department:		
Salaries:		
Fire chief	22,880	22,000
Deputy fire chief	5,212	5,000
Firefighters	15,726	17,880
Custodial	1,814	1,731
Social Security taxes	3,918	3,847
Supplies	1,411	1,215
Gas and oil	3,323	4,294
Rescue supplies	901	537
Physical examinations	2,325	2,648
Travel, workshops and conferences	2,000	1,500
Education	6,128	4,400
Insurance and bonds	2,258	2,258
Utilities	13,980	13,454
Building maintenance	25,217	8,479
Equipment maintenance	1,579	1,083
Vehicle maintenance	6,438	6,099
County fire assessment	10,171	7,397
Dues and memberships	155	80
Miscellaneous	1,057	1,294
New equipment	31,202	11,256
New vehicles	-	30,885
Total Expenditures	157,695	147,337
Net Change in Fund Balances	86,579	84,034
Fund Balances, April 1	243,821	159,787
Fund Balances, March 31	\$ 330,400	\$ 243,821

COURTLAND TOWNSHIP
Inland Lakes Improvement Special Revenue Fund
Comparative Balance Sheet
March 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Assets		
Cash equivalents, deposits and investments	\$ 50,208	\$ 52,054
Taxes receivable	<u>1,319</u>	<u>1,270</u>
Total Assets	<u><u>\$ 51,527</u></u>	<u><u>\$ 53,324</u></u>
 Liabilities and Fund Balances		
Liabilities	<u>\$ -</u>	<u>\$ -</u>
Fund Balances		
Unreserved:		
Undesignated	<u>51,527</u>	<u>53,324</u>
Total Liabilities and Fund Balances	<u><u>\$ 51,527</u></u>	<u><u>\$ 53,324</u></u>

COURTLAND TOWNSHIP
Inland Lakes Improvement Special Revenue Fund
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances
For the years ended March 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Revenues		
Taxes:		
Weed control assessments	\$ 38,603	\$ 36,758
Interest and rentals:		
Interest on deposits and investments	<u>1,528</u>	<u>2,116</u>
Total Revenues	<u>40,131</u>	<u>38,874</u>
Expenditures		
Current:		
Public works:		
Weed control services	<u>41,928</u>	<u>43,793</u>
Net Change in Fund Balances	(1,797)	(4,919)
Fund Balances, April 1	<u>53,324</u>	<u>58,243</u>
Fund Balances, March 31	<u><u>\$ 51,527</u></u>	<u><u>\$ 53,324</u></u>

ENTERPRISE FUND

Sewer Enterprise - to account for the provision of sewer services to the residents of the Township. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, operations, maintenance, administration, debt service, construction and billing and collection.

**COURTLAND TOWNSHIP
Sewer Enterprise Fund
Comparative Balance Sheet
March 31, 2008 and 2007**

	<u>2008</u>	<u>2007</u>
Assets		
Current Assets		
Cash equivalents, deposits and investments	\$ 87,120	\$ 161,037
Receivables:		
Accounts	5,467	4,686
Due from property tax roll	<u>1,458</u>	<u>2,608</u>
Total Current Assets	<u>94,045</u>	<u>168,331</u>
Noncurrent Assets		
Capital assets	3,000,874	3,000,874
Less accumulated depreciation	<u>(1,121,828)</u>	<u>(1,080,263)</u>
Net Capital Assets	<u>1,879,046</u>	<u>1,920,611</u>
Total Assets	<u><u>\$ 1,973,091</u></u>	<u><u>\$ 2,088,942</u></u>
Liabilities and Fund Equity		
Liabilities		
Current liabilities:		
Due to other governmental units	\$ 43,491	\$ 33,435
Fund Equity		
Retained earnings:		
Unreserved	<u>1,929,600</u>	<u>2,055,507</u>
Total Liabilities and Fund Equity	<u><u>\$ 1,973,091</u></u>	<u><u>\$ 2,088,942</u></u>

COURTLAND TOWNSHIP
Sewer Enterprise Fund
Comparative Schedule of Revenues, Expenses and Changes in Retained Earnings
For the years ended March 31, 2008 and 2007

	2008	2007
Operating Revenues		
Charges for services:		
Sewer usage charges	\$ 190,786	\$ 170,014
Permits and inspections	300	473
Total Operating Revenues	<u>191,086</u>	<u>170,487</u>
Operating Expenses		
Sewer:		
Salaries	2,041	2,034
Social Security taxes	168	155
Operating supplies	542	850
Audit fees	1,500	1,500
Engineering fees	392	505
Commodity charges	30,067	26,251
Operation and maintenance	204,620	133,048
Other expenses	347	320
Depreciation	41,565	41,565
Total Operating Expenses	<u>281,242</u>	<u>206,228</u>
Operating Loss	<u>(90,156)</u>	<u>(35,741)</u>
Nonoperating Revenues (Expenses)		
Interest income	6,690	8,771
Connection fees	21,524	11,500
Contributions to North Kent Sewer Authority	(63,965)	(18,880)
Net Nonoperating Revenues (Expenses)	<u>(35,751)</u>	<u>1,391</u>
Net Loss	(125,907)	(34,350)
Retained Earnings, April 1	<u>2,055,507</u>	<u>2,089,857</u>
Retained Earnings, March 31	<u><u>\$ 1,929,600</u></u>	<u><u>\$ 2,055,507</u></u>

COURTLAND TOWNSHIP
Sewer Enterprise Fund
Comparative Schedule of Cash Flows
For the years ended March 31, 2008 and 2007

	2008	2007
Cash Flows From Operating Activities		
Cash received from customers	\$ 191,455	\$ 169,322
Cash payments to suppliers	(227,412)	(194,804)
Cash payments to employees	(2,209)	(2,189)
Net Cash Provided By (Used For) Operating Activities	<u>(38,166)</u>	<u>(27,671)</u>
Cash Flows From Capital and Related Financing Activities		
Connection charges	21,524	11,500
Contributions to North Kent Sewer Authority	(63,965)	(18,880)
Net Cash Provided By (Used For) Capital and Related Financing Activities	<u>(42,441)</u>	<u>(7,380)</u>
Cash Flows From Investing Activities		
Interest received	6,690	8,771
Net Increase (Decrease) In Cash and Cash Equivalents	(73,917)	(26,280)
Cash and Cash Equivalents, beginning of year	161,037	187,317
Cash and Cash Equivalents, end of year	<u><u>\$ 87,120</u></u>	<u><u>\$ 161,037</u></u>
Reconciliation of Operating Income (Loss) To Net Cash Provided By (Used For) Operating Activities		
Operating loss	<u>\$ (90,156)</u>	<u>\$ (35,741)</u>
Adjustments to reconcile operating loss to net cash provided by (used for) operating activities:		
Depreciation	41,565	41,565
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(781)	577
(Increase) decrease in due from property tax roll	1,150	(1,742)
Increase (decrease) in due to other governmental units	10,056	(32,330)
Total adjustments	<u>51,990</u>	<u>8,070</u>
Net Cash Provided By (Used For) Operating Activities	<u><u>\$ (38,166)</u></u>	<u><u>\$ (27,671)</u></u>

AGENCY FUND

Tax Account Agency—to account for the collection of current and delinquent property taxes, dog licenses, delinquent special assessments and delinquent quarterly sewer charges and payment to the governmental units, funds or other persons entitled to receive these funds.

COURTLAND TOWNSHIP
Tax Account Agency Fund
Statement of Changes in Assets and Liabilities
For the year ended March 31, 2008

	<u>Balances</u> <u>April 1, 2007</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balances</u> <u>March 31, 2008</u>
Assets				
Cash equivalents, deposits and investments	<u>\$ 6,987</u>	<u>\$ 7,895,224</u>	<u>\$ 7,870,262</u>	<u>\$ 31,949</u>
Liabilities				
Accounts payable	\$ -	\$ 30,883	\$ 30,883	\$ -
Due to other funds	5,658	484,393	460,336	29,715
Due to other governmental units	<u>1,329</u>	<u>7,379,948</u>	<u>7,379,043</u>	<u>2,234</u>
Total Liabilities	<u>\$ 6,987</u>	<u>\$ 7,895,224</u>	<u>\$ 7,870,262</u>	<u>\$ 31,949</u>

OTHER INFORMATION

COURTLAND TOWNSHIP
Summary of 2007 Taxes Levied and Collected
For the year ended March 31, 2008

	<u>Taxable Valuation</u>	<u>Rate (Mills)</u>	<u>Taxes Levied</u>	<u>Returned Delinquent</u>	<u>Current Collections</u>
<u>Ad Valorem Taxes</u>					
Kent County					
Operating	\$260,972,430	5.39400	\$ 1,403,129	\$ 66,349	\$ 1,336,780
Big Brower Lake level			2,419	138	2,281
Total Kent County			1,405,548	66,487	1,339,061
Kent District Library	260,972,430	0.88000	229,656	13,714	215,942
State Education Tax		6.00000			
Cedar Springs Public Schools	79,036,108		473,280	29,958	443,322
Rockford Public Schools	182,113,521		1,092,555	38,722	1,053,833
Total State Education Tax			1,565,835	68,680	1,497,155
School Districts					
Kent Intermediate School District	260,972,430	4.69030	1,225,864	53,688	1,172,176
Grand Rapids Community College	260,972,430	1.78650	466,923	20,449	446,474
Cedar Springs Public Schools:					
Other	79,036,108	7.00000	551,996	34,951	517,045
Operating	11,771,777	17.98740	212,758	50,729	162,029
Rockford Public Schools:					
Other	182,113,521	9.48170	1,726,688	76,784	1,649,904
Operating	20,825,374	18.00000	374,853	49,457	325,396
Total School Districts			4,559,082	286,058	4,273,024
Courtland Township	260,972,430				
Operating		0.81310	212,194	12,671	199,523
Fire protection		0.88250	230,307	13,753	216,554
Special levies:					
Street light assessment			1,085	-	1,085
Weed control			38,488	1,319	37,169
Delinquent sewer/water			5,799	1,457	4,342
Total Courtland Township			487,873	29,200	458,673
Total Ad Valorem Taxes			<u>\$ 8,247,994</u>	<u>\$ 464,139</u>	<u>\$ 7,783,855</u>

(Continued)

COURTLAND TOWNSHIP
Summary of 2007 Taxes Levied and Collected
For the year ended March 31, 2008

	<u>Taxable Valuation</u>	<u>Rate (Mills)</u>	<u>Taxes Levied</u>	<u>Returned Delinquent</u>	<u>Current Collections</u>
<u>Commercial Forest Taxes</u>					
Kent County	\$ 3,480	2.69700	\$ 9	\$ -	\$ 9
Kent District Library	3,480	0.44000	2	-	2
State Education Tax					
Rockford Public Schools	3,480	3.00000	10	-	10
School Districts					
Kent Intermediate School District	3,480	2.34515	7	-	7
Grand Rapids Community College	3,480	0.89325	3	-	3
Rockford Public Schools:					
Other	3,480	4.74085	14	-	14
Operating	3,480	9.00000	48	-	48
Courtland Township	3,480				
Operating		0.40655	1	-	1
Fire protection		0.44125	2	-	2
Total Commercial Forest Taxes			<u>\$ 96</u>	<u>\$ -</u>	<u>\$ 96</u>

Hungerford, Aldrin,
Nichols & Carter, P.C.

CPAs AND CONSULTANTS

August 15, 2008

The Township Board
Courtland Township
Kent County, Michigan

The following comments pertain to our audit of the financial records of Courtland Township as of and for the year ended March 31, 2008. The comments are made in accordance with Statement on Auditing Standards No. 112 "*Communicating Internal Control Related Matters Identified in an Audit*" which has the following two unconditional requirements:

- The auditor must evaluate identified *control deficiencies* and determine whether those deficiencies, individually or in combination, are *significant deficiencies* or *material weaknesses*.
- The auditor *must communicate, in writing, significant deficiencies and material weaknesses* to management and those charged with governance. This communication includes significant deficiencies and material weaknesses identified and communicated to management and those charged with governance in prior audits but not yet remediated.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is *more than a remote likelihood* that a misstatement of the entity's financial statements that is *more than inconsequential* will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in *more than a remote likelihood* that a *material misstatement of the financial statements* will not be prevented or detected by the entity's internal control. We believe that the following deficiency constitutes a material weakness:

The following describe circumstances that may be control deficiencies, significant deficiencies, or material weaknesses:

- Inadequate *design* of internal control over a significant account or process.
- Inadequate *documentation* of the components of internal control.
- Insufficient *control consciousness* within the organization, for example, the tone at the top and the control environment.
- Inadequate or absent *segregation of duties* within a significant account or process.
- Inadequate design of *information technology* (IT) general and application controls.
- Inadequate design of *monitoring* controls used to assess the design and operating effectiveness of internal controls.
- The absence of an internal process to *report deficiencies* in internal controls to management on a timely basis.
- Employees or management who *lack the qualifications and training* to fulfill their assigned functions. For example, in an entity that prepares financial statements in accordance with Generally Accepted Accounting Principles (GAAP) and Governmental Accounting Standards Board (GASB) requirements, the person responsible for the accounting and reporting function lacks the skills and knowledge to apply GAAP and GASB in recording the entity's financial transactions or *preparing its financial statements* (including the notes to basic financial statements).

The management of Courtland Township is responsible for establishing and maintaining internal control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control. The objectives of internal control are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in internal control, errors or fraud may nevertheless occur and not be detected. Also, projection of any evaluation of internal control to future periods is subject to the risk that controls may become inadequate because of changes in conditions or that the effectiveness of the design and operation of controls may deteriorate.

In planning and performing our audit of the financial statements of Courtland Township as of and for the year ended March 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered Courtland Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the organization's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified one deficiency in internal control that we consider to be a material weakness.

- Officers, employees or management who lack the qualifications and training to fulfill certain functions:
 1. The lack of knowledge and skills present to apply Generally Accepted Accounting Principles (GAAP) and Governmental Accounting Standards Board (GASB) reporting requirements; specifically in recording the Township's financial transactions or preparing its financial statements (including the notes to basic financial statements).

This communication is intended solely for the information and use of management, the Township Board, others within the organization, and the Michigan Department of Treasury. It is not intended to be and should not be used by anyone other than these specified parties.

Hungerford, Aldrin, Nichols & Harten, P.C.

Certified Public Accountants

Hungerford, Aldrin, Nichols & Carter, P.C.

CPAs AND CONSULTANTS

August 15, 2008

The Township Board
Courtland Township
Kent County, Michigan

The following comments pertain to our audit of the financial records of Courtland Township as of and for the year ended March 31, 2008. The comments are made in accordance with Statement on Auditing Standards (SAS) No. 114 "The Auditor's Communication with Those Charged with Governance" which requires that in all audits, certain matters are to be communicated with those charged with governance in relation to an audit of financial statements. The communications required by SAS No. 114, if pertinent to the examination, are as follows:

The Auditor's Responsibility Under U.S. Generally Accepted Accounting Principles

As stated in our Engagement Letter dated July 3, 2008, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management, with your oversight, are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you, or management, of your responsibilities.

Auditor's Independence

Our independence policies and procedures are designed to provide reasonable assurance that our firm and its personnel comply with applicable, independence standards. Our policies address financial interest, business and family relationships, and non-audit services that may be thought to bear on independence. In addition, our policies restrict certain non-audit services that may be provided by our firm staff and require our audit clients to accept certain responsibilities in connection with the provision of permitted non-audit services.

An Overview of the Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in the Engagement Letter dated July 30 2008.

Significant Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our Engagement Letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Courtland Township are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year. We noted no transactions entered into by the Township during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Significant Difficulties Encountered During the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. During the course of our audit the following adjustments of a significant nature were made to the accounting records of the Township to bring the balances to those presented in the financial statements. There were no adjustments proposed during the audit not accepted and recorded by Courtland Township management.

Entity-wide Financial Statements

1. \$270,638 to record the 2007-08 capital asset additions for the park property and other improvements and equipment.
2. \$58,242 to record 2007-08 depreciation expense on Township capital assets.

General Fund

1. \$13,649 and \$12,383 to reverse and accrue property taxes receivable at year end.
2. \$64,970 and \$62,498 to reverse and accrue State revenue sharing payments receivable at year end.
3. \$5,939 to classify prior year amounts due from the Township Tax Account Agency Fund remitted during the 2007-08 fiscal year.
4. \$29,715 to record the balance due from the Tax Account Agency Fund at March 31, 2008.
5. \$9,695 to record 2007-08 cablevision fees collected after the fiscal year end.
6. \$572,293 to classify the various General Fund bank account balances to actual at March 31, 2008; the net effect of this adjustment was only \$587.

Fire Fund

1. \$14,815 and \$12,440 to reverse and accrue property taxes receivable at year end.
2. \$31,500 to record a transfer between bank accounts.

Sewer Enterprise Fund

1. \$33,435 and \$43,491 to reverse and accrue accounts payable to the Kent County DPW at year end.
2. \$41,565 to record 2007-08 depreciation expense on sewer system assets.

Disagreements with Management

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Township's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Management Representations

We have requested certain representations from management that are included in the Management's Representation Letter dated August 15, 2008.

Other Significant, Relevant Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to, and during the process of, the Township's audit. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Significant new auditing standards from the American Institute of Certified Public Accountants were required to be implemented during the 2007-08 audit process involving the auditor's review, observation evaluation and documentation of the Township's significant areas of internal controls. *Our findings and comments regarding the Township's internal control processes and procedures are detailed in Appendix A, attached to this letter.*

Closing

This communication is intended solely for the information and use of the Courtland Township Board of Trustees and management and is not intended to be, and should not be, used by anyone other than these specified parties. We have furnished a copy of this letter to the Michigan Department of Treasury as an enclosure with the audit report as required by the State of Michigan.

Hungerford, Aldrin, Nichols & Harten, P.C.

Certified Public Accountants

HUNGERFORD, ALDRIN, NICHOLS & CARTER, PC
Appendix A - Comments On Significant Internal Control Areas for
COURTLAND TOWNSHIP
For the Year Ended March 31, 2008

Listed below are the internal control areas that auditors are now required to review, evaluate and document during the audit process, if those areas are significant to an entity's operations. For each of the areas considered to be "significant" the auditor must answer all of the following questions, inspect supporting documentation and observe client compliance with its prescribed procedures, i.e. "walkthroughs".

1. Is the control placed in operation?
2. What audit assertions apply to this control?
3. Is the control a key control?
4. Is the control dependent on IT?
5. Is the control manual or automated?
6. Is the control properly designed?
7. Is the control implemented?
8. Comments/transactions or documentation examined for walkthrough
9. Is a control deficiency possible?

The significant internal control areas of Courtland Township are listed below. Each bullet point describes the "significant" internal controls that apply in each internal control area. The bolded comments represent suggestions for improvements in the Township's internal controls, based on our observations during the 2007-08 audit process.

GENERAL CONTROLS

- The Township should complete a *documented* system of its accounting procedures and internal controls to insure that its operations are completed as designed and so third parties can review and monitor these policies to insure independent oversight of these processes.

BUDGETS

- Budget adoptions, amendments for all required funds
- Budget accounting principles consistent with actual transactions
- Documented authorization for all budget amendments

CASH

- Cash collection/receipting procedures
- Cash storage/deposit procedures
- Bank account security/authorization policies
- Check preparation/signing/security procedures
 1. **Tax Account Agency Fund disbursement checks should be reviewed by someone independent of the Treasurer's office. A monthly disbursement report listing checks written could be presented to the Township Board for review and/or reviewed by the Township Clerk on a regular basis.**
- Non-check disbursement authorization/control policies and procedures
- Bank reconciliation preparation/monitoring procedures

HUNGERFORD, ALDRIN, NICHOLS & CARTER, PC
Appendix A - Comments On Significant Internal Control Areas for
COURTLAND TOWNSHIP
For the Year Ended March 31, 2008

INVESTMENTS

- Investment policy adoption/implementation/monitoring procedures
 1. **The Township Investment Policy should be reviewed annually by the Treasurer and the Township Board (or Finance Committee) to respond to the rapid changes occurring in the investment environment, and to insure compliance with current accounting disclosure requirements. Someone in Township governance (a Township Board or Finance Committee member) should be responsible for reviewing Township investments on a regular basis to insure that the requirements of the Investment Policy are being followed.**
- Investment purchase approval procedures
- Investment custodial /security policies/procedures
- Investment record keeping/reconciliation procedures
- Investment return policies/procedures/monitoring

REVENUES AND RECEIVABLES

- Budgeting and actual-to-budget monitoring procedures
- Property tax billing/collection/monitoring procedures
- State revenue sharing verification/reconciliation procedures
- Billing/collection procedures for fees/charges for services
 1. **Quarterly sewer billing and collection reports should be reviewed by the Clerk and/or Treasurer to insure that all customers are being billed and are remitting timely payments and that all collections are being timely deposited.**

EXPENDITURES AND PAYABLES

- Purchase order initiation/approval/processing procedures
- Invoice processing/approval/payment procedures\ol style="list-style-type: none;">- 1. **Checks written by the Township Treasurer for property tax disbursements should be presented to the Township Board for review and approval.**
- Purchase pricing/cut-off/compliance review procedures
- Budget-to-actual comparison/review procedures

PAYROLL

- Hiring/personnel input procedures
- Timekeeping/approval procedures
- Payroll preparation/distribution/general ledger procedures
 1. **Periodic independent review of the completed payroll preparation process, before payroll checks are printed and distributed, is recommended.**
- Cost allocation procedures/monitoring
- Budget-to-actual comparison/review procedures
- Payroll bank account transaction monitoring/reconciliation

HUNGERFORD, ALDRIN, NICHOLS & CARTER, PC
Appendix A - Comments On Significant Internal Control Areas for
COURTLAND TOWNSHIP
For the Year Ended March 31, 2008

CAPITAL ASSETS

- Acquisition/disposal/capitalization approval/documentation
- Asset custody/security/recordkeeping procedures
- Construction project record keeping/monitoring procedures
- Lapse schedule/depreciation record keeping/monitoring procedures
 1. **The Township Clerk should assume responsibility (now completed by the auditors) for the capital asset/depreciation lapse schedule.**

DEBT AND DEBT SERVICE

- Debt issuance and liability transaction approval
- Debt proceeds expenditure/monitoring procedures
- Debt agreement compliance monitoring procedures
- Principal and interest payment/monitoring procedures
- Debt refunding approval/documentation/monitoring

INFORMATIONAL TECHNOLOGY

- Internal control framework – policies and procedures
 1. **The Township should consider adopting a written set of policies and procedures to help establish a documented stable and secure IT environment.**
- Township personnel are prohibited from making changes to master files
- There are adequate physical controls over computer facilities
- Software users are prohibited from having access to source code
- Computer access is limited to specific persons and individuals have access to only applications or files that are necessary for their duties
 1. **A formalized process for granting and removing user access rights to Township software applications should be documented and approved. Users within each application should be given access to only those functions which are required to perform their regular duties.**
- Passwords are required to be complex and to be changed at regular intervals
 1. **Password security should be reviewed and improved to insure future data security.**
- There are appropriate documented procedures for back-up and storage of applications and data files
 1. **Backups of data on Township software are performed on a regular basis and rotated offsite by a Township official. This process should be formalized and documented, and consideration should be give to encrypting or password protecting the backed up data.**
- There is a documented disaster recovery plan and it has been tested
 1. **There is no current documented plan.**